

## Message Text

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43

ACTION AGR-08

INFO OCT-01 ARA-06 ISO-00 EB-07 COME-00 TRSE-00 AID-05

IGA-02 OPIC-03 XMB-02 PRS-01 /035 W

----- 098274

P R 141920Z JAN 76

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC PRIORITY 3353

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

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PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR, ETRD, BR

SUBJECT: PAULINELLI INTERVIEW ON OUTLOOK FOR BRAZILIAN AGRICULTURE

1. MINAG ALYSSON PAULINELLI IN WIDE RANGING PRESS CONFERENCE THIS WEEKEND IN RIO, REVIEWED PERFORMANCE OF BRAZILIAN AGRICULTURE IN 1975 AND ITS PROSPECTS IN 1976. INCREASING COSTS OF PRODUCTION AND POSSIBILITY OF DECREASING WORLD MARKET PRICES FOR SOME AGRICULTURAL COMMODITIES MAY CAUSE CONCERN WITH BOTH THE INTEREST OF THE FARMER AND BRAZIL'S BALANCE OF PAYMENTS IN MIND. END SUMMARY.

2. ACCORDING TO ESTADO DE SAO PAULO, PAULINELLI STRESSED THE GEISEL ADMINISTRATION'S SUPPORT FOR AGRICULTURE, RECALLING THAT HIS MINISTRY HAD INTERVENED ON EVERY OCCASION WHEN THIS HAD BECOME NECESSARY, TO AVOID INTERNATIONAL PRICE MOVEMENTS HARMING BRAZILIAN PRODUCERS. THIS WAS TRUE FOR SISAL, COTTON AND CORN, PRODUCTS WHICH WERE ACQUIRED UNDER THE POLICY OF MINIMUM PRICES WHEN THEIR INTERNATIONAL QUOTATIONS WERE LOWER THAN PREVAILING MARKET PRICES. THE GOVERNMENT CONSIDERED THIS THE FORMULA TO EXPAND ACREAGE, INCREASE LIMITED OFFICIAL USE

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PRODUCTIVITY, AND REDUCE THE RURAL EXODUS. ACCORDING

TO THE JOURNAL DO BRASIL, WHEN ASKED WHETHER THE GOVERNMENT WOULD BE PREPARED TO SUBSIDIZE EXPORTS OF AGRICULTURAL PRODUCTS FOR WHICH MINIMUM PRICES PREVENTED OUTFLOW AT INTERNATIONAL PRICES, PAULINELLI STATED QUOTE IF THIS SHOULD OCCUR, THE GOVERNMENT WILL SUBSIDIZE EXPORTS. END QUOTE. JOURNAL ARTICLE, IN THIS CONTEXT, MENTIONS SOYBEANS AS WELL AS CORN AND COMMENTS THAT THIS OFFICIAL READINESS TO SELL AT ANY PRICE TO IMPROVE THE BALANCE OF PAYMENTS WOULD EXTEND ITSELF TO ALL PRIMARY PRODUCTS.

3. ACCORDING TO ESTADO, PAULINELLI STRESSED THE GOOD PERFORMANCE OF BRAZIL'S AGRICULTURAL EXPORTS IN 1975. HE ESTIMATED EXPORT RECEIPTS FROM AGRICULTURE ABOVE 6 BILLION DOLLARS, AND A REDUCTION OF AGRICULTURAL IMPORTS BELOW 800 MILLION (AS AGAINST \$1.5 BILLION IN 1974). FOR 1976 HE EXPECTED A CONSIDERABLE DETERIORATION OF THE AGRICULTURAL TRADE BALANCE, AS A RESULT OF THE SHARP DECLINE IN THIS YEAR'S WHEAT CROP. TO COVER DEMESTIC SUPPLY REQUIREMENTS, BRAZIL WILL HAVE TO MAKE WHEAT PURCHASES IN EXCESS OF \$600 MILLION.

4. CONFUSED ABOUT CONFLICTING INTERPRETATIONS OF PRESS CONFERENCE, AGATT WHILE VISITING WITH MINAG, QUERIED HIM AS TO WHAT ACTUALLY HAD BEEN SAID. PAULINELLI INFORMED AGATT THAT JOURNALISTS HAD PRESSED HIM ON MATTER OF NEED FOR DEVALUATION OF CRUZEIRO AS MEANS TO STIMULATE BRAZILIAN EXPORTS. WHEN PAULINELLI RULED OUT DEVALUATION HE WAS ASKED HOW HE COULD COPE WITH GUARANTEED (MINIMUM) PRICES TO FARMERS WHILE PERHAPS HAVING TO FACE WORLD MARKET PRICES WHICH MIGHT NOT COVER COSTS. IT WAS IN THIS CONTEXT THAT PAULINELLI ANSWERED THAT IN SUCH HYPOTHETICAL SITUATION, QUOTE THE DEFERENCE WOULD HAVE TO COME FROM SOMEWHERE END QUOTE, SINCE GOB WOULD NEITHER NEGATE ITS COMMITMENTS TO THE FARMERS NOR HAVE BRAZIL'S BALANCE OF PAYMENTS SUFFER. THIS LAST OBSERVATION APPARENTLY CAUSED AT LEAST ONE JORNALIST (JOURNAL DO BRASIO) TO MISQUOTE PAULINELLI AS HAVING ANNOUNCED INTENTION TO SUBSIDIZE FUTURE AGRICULTURAL PRODUCTS.

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5. COMMENT: SINCE MAJOR CROPS ALREADY PLANTED, PAULINELLI'S MOTIVATION TO MAKE ABOVE STATEMENTS CAN ONLY BE CONSTRUED AS EFFORT TO STRENGTHEN CONFIDENCE OF FARMERS WHO RECENTLY SUFFERED FROM EVER INCREASING PRODUCTION COSTS, ADVERSE WHEATHER CONDITIONS AND LOWER WORLD PRICES (SOYBEANS, SUGAR, COTTON). HOWEVER, AS A POLITICIAN AND DEDICATED MEMBER OF THE GEISEL

TEAM, MINAG MAY ALSO HAVE HAD AN EYE ON THE  
NOVEMBER MUNICIPAL ELECTIONS.  
CRIMMINS

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** AGRICULTURE, ECONOMIC CONDITIONS, PRESS CONFERENCES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 14 JAN 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** morefirh  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976BRASIL00345  
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**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**Office:** ACTION AGR  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** morefirh  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 09 JUL 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <09 JUL 2004 by SmithRJ>; APPROVED <13 JUL 2004 by morefirh>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** PAULINELLI INTERVIEW ON OUTLOOK FOR BRAZILIAN AGRICULTURE  
**TAGS:** EAGR, ETRD, BR, (PAULINELLI, ALYSSON)  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006